

Adam Smith and the Past, Present, and Future of Liberalism

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Abstract

Adam Smith perceived just how much spontaneous order there is in the world, and just how little it needs top-down explanation or regulation. In his day, championing markets and mistrusting government was considered “left-wing”—radical, populist, and liberal. After Marx, however, the left switched to championing government against markets. Yet it is the market that has delivered not just prosperity, but freedom, while governments have been responsible for the worst atrocities of the past century. Populist revolts against oligarchies today can be either hopeful (Brexit) or worrying (Trump) for libertarians. Being promarket does not mean being probusiness.

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I. Smith and His Precursors

What is so special about Adam Smith, a provincial tax inspector who lived with his mother, tutored a young duke, and had no small talk? Does he really deserve our praise?

I once went in search of a good pub in Edinburgh with the historian Niall Ferguson, and as we walked down the street, he said to me: the question is not what would Adam Smith do now, because he would go home to his mum, but what would David Hume do, because he loved to get drunk.

Smith saw more clearly than anybody before that much of the world is an emergent, bottom-up place of spontaneous order, and

* This paper comes from the author’s lecture on receiving the Association of Private Enterprise Education’s Adam Smith Award. It is an enormous honor to accept the Adam Smith award. It would be a great honor anyway, but to receive it in the presence of great Adam Smith scholars such as Jim Otteson, who has taught me more about Smith than anybody else, and friends like Hannes Gissaurson and Gabriel Calzada, is particularly humbling.

that we don't need skyhooks to explain it or to regulate it—at least, not nearly as much as we think.

Smith first made this point about language ([1767] 2010), that it emerges in all its complexity from the interactions of ordinary people, then about ethics in the *Theory of Moral Sentiments* ([1767] 2010), then about the economy in the *Wealth of Nations* ([1776] 1981), and finally about jurisprudence ([1763] 1978).

These were extraordinary insights for the time, with far-reaching implications. I genuinely believe that Darwin could not have had his great epiphany if he had not studied in Edinburgh and absorbed the ideas of the Scottish Enlightenment, and we know he read Smith at Cambridge.

I am fascinated, too, by the thought that Smith—and Jefferson and Hume and Voltaire and Newton and Spinoza and all the great thinkers of the Enlightenment, who began to imagine a world of spontaneous order—might not have done so without the fluky rediscovery six hundred years ago this year of Lucretius, that fearless materialist of ancient Rome (Greenblatt 2012).

I shudder to think what would have happened if the tatty manuscript of *De rerum natura* (Lucretius Carus 1997) had not been found by Poggio Bracolini in a German monastery in 1417.

I am not suggesting that Lucretius invented or has a monopoly on ideas like spontaneous order, evolution, atomism, and materialism—that would be rather self-contradictory. The whole point of such a philosophy is that it is not handed down from above. I am drawing attention to what a rare and delicate flower the Enlightenment is, how hard it was to achieve and how incredibly precious.

II. A Brief History of Liberalism

I cannot believe how carelessly we treat it today. Under the banner of postmodernism, we flirt with the abolition of free speech in universities and trample on tolerance, openness, and the search for truth. What's the opposite of diversity? University.

Smith knew what it was like to be no-platformed. As I recount in my book (Ridley 2015), in 1793, in Edinburgh—the supposedly enlightened Athens of the North—one Thomas Muir was tried for sedition, the prosecution alleging that he had scandalously argued that “taxes would be less if they were more equally represented.” He got fourteen years and transportation to Australia.

William Skirving and Maurice Margarot got the same sentence for echoing Adam Smith on free trade (Moore 2009). The next year, Dugald Stewart, later the biographer of Adam Smith (Stewart 1994), decided to apologize abjectly for even mentioning Condorcet's name in a book. Enlightenment had to hide under a bushel.

And we flirt with reimposing laws of blasphemy, antisemitism, and discrimination against women under the guise of sharia, effectively rolling back the separation of state and religion.

We let people politicize science and censor views they dislike, such as climate skepticism, bullying dissenters into silence within the academy with all the enthusiasm, if not yet the violence, of the Vatican's campaign against Bruno and Galileo.

And we still struggle to escape from the wrong turn that the left took in the nineteenth century when it fell in love with what Deirdre McCloskey (2007) called a "secularized faith called nationalism and a secularized hope called socialism." Marx ([1848] 2017) suggested to radicals that perhaps, having abolished absolute monarchy, we should try the dictatorship of the proletariat instead. How that wrong turn would have appalled Smith.

Remember, it was socialists who were the most enthusiastic eugenicists.

As McCloskey (2007) put it so eloquently:

Anyone who after the 20th century still thinks that thoroughgoing socialism, nationalism, imperialism, mobilization, central planning, regulation, zoning, price controls, tax policy, labor unions, business cartels, government spending, intrusive policing, adventurism in foreign policy, faith in entangling religion and politics, or most of the other thoroughgoing 19th-century proposals for governmental action are still neat, harmless ideas for improving our lives . . . is not paying attention.

Yet to the average student today, indoctrinated by statism, "market fundamentalism" is more dangerous than any of these isms. How can this be?

The market gave us prosperity and innovation, while government gave us Stalin, Hitler, and Mao, so why are people so forgiving of the state and so mistrustful of the market?

Visiting Auschwitz a few years ago, I was struck not by the "industrialization" of death—it is a surprisingly low-tech place—but by the "nationalization" of death: the bureaucratic central planning

and meticulous hierarchical organization of mass murder. It takes a government to do an Auschwitz.

Somewhere along the line, outrageously, we have let the market, that most egalitarian, liberal, disruptive, distributed, and cooperative of phenomena, become known as a conservative thing.

It's not. It is the most radical and liberating idea ever conceived: that people should be free to exchange goods and services with each other as they please, and thereby work for each other to improve each other's lives.

For the first half of the nineteenth century, this was well understood. To be a follower of Adam Smith was to be a radical left-winger, against imperialism, militarism, slavery, autocracy, the established church, corruption, and the patriarchy.

Political liberation and economic liberation went hand in hand. Small government was a progressive proposition.

Richard Cobden, the radical pacifist free-trader, sounding like a member of the Tea Party, said: "peace will come to earth when the people have more to do with each other and governments less" (Cobden 1969).

David Ricardo ([1817] 2015), the bicentenary of whose greatest work we celebrate this year, made the astonishing and surprising assertion that free trade benefits uncompetitive countries and poor people just as much as it benefits rich people. That's what his law of comparative advantage means.

Yet, in the twentieth century, those who believed in true liberalism were systematically marginalized and smeared as heartless defenders of privilege, when the exact opposite was true—as Alberto Mingardi's (2011) work on Herbert Spencer discovered.

III. Triumphs of Capitalism

But enough history. How do libertarians today recapture that progressive moral high ground?

The short answer to that question is technology. Innovation is responsible for the truly astonishing changes in human living standards:¹

- lifespan is increasing at five hours a day worldwide;
- extreme poverty is down from 90 percent of the population a century ago to 9 percent today;
- child mortality is down by two-thirds in fifty years;

¹ Author's calculations from public data sources.

- the average person has to spend only 9 percent of their whole life at work to earn enough to support a family; and
- we're using 68 percent less land to produce a given quantity of food compared with 1960.

Innovation will surely keep what Hayek ([1976] 2012) called the catallaxy of exchange and specialization one step ahead of the top-down skyhook-mongers.

The Internet—that most emblematic example of a bottom-up phenomenon, arising from the peer-to-peer interactions of millions, dispersed and unregulated, unstoppable and evolving—has been a great liberating force.

IV. Revolts Today

But how do we react when we see that the Internet's spawn, social media, has been used to create a revolution against the oligarchy, yes, but in favor of plutocracy, protectionism, and another form of nationalism?

Yes, I am speaking of Donald Trump. Do we cheer the confusion of the establishment, the Clintons, the *New York Times*, the climate-industrial complex, or do we look with horror at the antics of a new oligarch with barely a libertarian bone in his body?

My friend Douglas Carswell, an independent British MP, compares Trump to Tiberius Gracchus, who overthrew a Roman elite but proved so inept that he ushered in an authoritarian counterrevolution under Sulla that eventually became an empire. That's a real risk.

The Brexit revolution in my country is more hopeful. There is literally nothing protectionist about it. Quite the reverse: it is driven by a desire to escape the protectionist external tariffs of the European Union, along with the overcentralized, overregulatory, overharmonizing, and anti-innovatory rigid rule of Brussels.

We are trying to rejoin the world, become the global champion of free trade again, and emulate Hong Kong and Singapore, but on a larger scale. Free trade negotiators are flocking to Britain right now saying things like, When do you get the chance to craft a G7 country's trade policy from scratch?

It will be a difficult struggle over the next two years, and the elite in Britain is feeling very bruised by what happened last year, ready to pounce when things go wrong. But with luck, this could be an epic

moment in our history, a bit like the repeal of the Corn Laws or even the Reformation. So far, it is going well.

V. Reorienting Libertarianism

Here is why I think libertarian thinkers must speak much more forcefully in the next few decades if we are to win the argument for freedom and spontaneous order.

We need to pay more attention to vocabulary. Stop letting the statist define the terms: capitalism, clean energy, market fundamentalism.

We need to criticize bad markets. Free market ideas are the very opposite of business and corporate interests. We need to call out not just the worst examples of crony capitalism, but an awful lot of what passes for capitalism today—a creature of subsidy that lobbies governments for regulatory barriers to entry. I applaud Cato’s work in particular in this respect.

And libertarians need to be much more critical of the financial industry, much of which has not reformed since 2008 but is mired in profiteering, corruption, and zero-sum deals. Read Michael Lewis’s (2015) *Flash Boys* to see what I mean.

Indeed, I believe we must take very seriously a discovery by that other great economist called Smith: Vernon. He says something that I think far too few people appreciate.

In experimental-economics labs, Vernon discovered that markets in goods for consumption, things like hamburgers and haircuts, are magnificently efficient things, finding competitive prices and excellent equilibria between supply and demand even in situations of information and asymmetric power (Smith 2002).

Markets for consumption goods drive out corruption and inefficiency and produce almost magical solutions. Think—as I like to put it—of the fact that today in London, 10 million people ate lunch. Very few of them decided in advance what or even where to eat, but they got what they wanted and at fair prices. Yet nobody is in charge, nobody plans it. There is no London lunch commissioner.

By contrast, Vernon found, markets in assets—goods for hoarding and resale—are not so efficient and constantly produce bubbles and crashes. Yet when people use the word *market*, they usually mean this kind, financial markets. I think we need to be much more critical of asset markets in this century than we were in the last. We need to praise Main Street but not Wall Street.

As Adam Smith ([1776] 1981) said, “People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public.”

We live in a world richly furnished with technological and cultural marvels, not mainly because we have been well governed by leaders or well taught by teachers, but because we have networked our minds as a collective brain through exchange and specialization, through commerce. Let’s shout that truth from the rooftops.

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